

# **Money Matters Update on the County Council's Reserves Position for 2015/16**

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# Money Matters – Update on the County Council's Reserves Position for 2015/16

## 1. Introduction

An integral part of the County Council's financial management is the use of reserves. This report sets out an estimated position of the reserves in light of the monitoring information provided elsewhere in this report.

## 2. Summary

As at 1<sup>st</sup> April 2015 the County Council had total reserves of £424.650m. Of this £95.952m is held for schools and its use is restricted. Therefore the County Council's reserves are £328.698m.

Based on the latest information on the level of commitments excluding schools this will be reduced by £84.039m in 2015/16. Future years' commitments reduce this balance to £87.406m by 31<sup>st</sup> March 2018. Note this does not take into account the 2015/16 potential overspend of net £33.251m as detailed in Appendix A.

The following table illustrates the forecast position in respect of the Council's reserves:

Reserve Name	Opening Balance as at 1 April 2015	YTD actuals 2015/16	Remaining commitments in 2015-16	2016-17 Commitments	2017-18 Commitments	Transfer between reserves	Closing Balance as at 31 March 2018
	£m	£m	£m	£m	£m	£m	£m
County Fund (3.1)	-36.000						-36.000
Business Rates Volatility Reserve (3.2)	-5.000						-5.000
Strategic Investment Reserve (3.3)	-21.391		15.158	21.989	5.919	-22.691	-1.016
Downsizing Reserve (3.4.1)	-80.606		16.102	54.554	13.904	-3.954	0.000
Risk Management Reserve (3.4.2)	-82.020		27.453	29.205	1.084	26.645	2.367
Service Reserves	-103.681	-33.156*	58.482*	31.268	-0.670		-47.757
<b>TOTAL</b>	<b>-328.698</b>	<b>-33.156</b>	<b>117.195</b>	<b>137.016</b>	<b>20.237</b>	<b>0.000</b>	<b>-87.406</b>

\* includes the growth deal £39.5m.

## School Reserves

Reserve Name	Opening Balance as at 1 <sup>st</sup> April 2015	YTD actuals 2015/16	Forecast Closing Balance as at 31 <sup>st</sup> March 2016*
	£m	£m	£m
School Reserves	- 95.952	6.073	- 89.879

\* At this stage the plans beyond March 2016 are not known in any detail to predict when this reserve will be spent.

### 3. Reserves

#### 3.1 County Fund Balance

The County Fund balance is the general balance that is required to be held to cover emergency expenditure; as a contingency against demand led expenditure being higher than anticipated; if costs increase by more than provided for in the budget (especially pay awards); loss of income and general cash flow purposes. In considering these various factors the County Council has held a County Fund balance at £36m. It is anticipated that the County Fund will be maintained at this level.

#### 3.2 Business Rates Volatility Reserve

Business rates are an increasingly important source of finance for local authorities. However, the income to be derived can be very difficult to predict and can fluctuate significantly. This situation arises as the business rates depend upon the growth in the rateable value and the impact of any valuation appeals. In the last quarter of the 2014/15 financial year there was a surge in the number of valuation appeals submitted. The results of these are not known therefore representing a risk around the income to be received. In addition, there is to be a national review of the business rates system, details of which are not anticipated to be released before March 2016. Even if the result of the review does not impact upon the total amount of business rates at the national level there is a potential for individual authorities to be either 'winners' or 'losers' in the overall allocation. Consequently, it is deemed prudent to maintain this reserve at its current level until the results of the review are known.

#### 3.3 Strategic Investment Reserve

This reserve is held to fund an agreed programme of investment in areas including, economic development, libraries regeneration, increasing employment opportunities and the development of apprenticeship programmes. As at 1<sup>st</sup> April 2015 this had a balance of £21.391m. There are approved commitments of £20.375m reducing the balance to show £1.016m. Details of the approved commitments are shown in Annex A.

Note: on reviewing the reserves it was clear that there were £22.691m of strategic investments that required financing by reallocating an equivalent sum from the Risk Management Reserve.

### **3.4 Reserves held to deliver Organisational Change**

The County has two reserves to deliver organisational change namely the Downsizing Reserve and the Risk Management Reserve.

#### **3.4.1 Downsizing Reserve**

The Downsizing Reserve is predominantly used to fund voluntary redundancies arising from the reduction in the size of the organisation which is the outcome of the recent and future period of austerity. The opening balance was £80.606m of which £84.560m is committed leaving an overspend of £3.954m.

Note: on reviewing the reserves it is clear that the £3.954m will require financing by reallocating an equivalent sum from the Risk Management Reserve.

Regarding the redundancy position, originally £79m was set aside of which £12.284m was incurred during 2014/15 leaving £66.716m of the opening balance on 1<sup>st</sup> April 2015 for redundancies. We are now forecasting £11.102m will be incurred in 2015/16 with £41.711m falling in 2016/17 and £13.904m in 2017/18.

#### **3.4.2 Risk Management Reserve**

The Risk Management Reserve was made up as a result of extraordinary Treasury Management performance during 2014/15 and previous years. This reserve is now available to help the authority manage risks to funding and service delivery going forward. This reserve had an opening balance of £82.020m with commitments of £57.742m, leaving a balance of £24.278m. However £26.645m of this budget needs to be transferred to the Strategic Investment Reserve and Downsizing Reserve as detailed in 3.3 and 3.4.1, leaving an over committed position of £2.367m.

Details of the commitments are shown in Annex B.

### **3.5 Service Reserves**

The County Council hold numerous reserves for specific service provision. In total these amounted to £103.681m at 1<sup>st</sup> April 2015. The latest monitoring position has identified that these will reduce to £47.757m by 31<sup>st</sup> March 2018. Details are shown in Annex C.

### **3.6 Schools**

Under statute schools have delegated budgets. It is the responsibility of the individual schools to maintain reserves to cover risks and meet future plans. At this stage the plans are not known in detail to predict when they will be spent however this reserve cannot be used for any other purpose.

## **4. Impact of 2015/16 Outturn Forecast**

The monitoring report submitted to Cabinet is showing a potential demand on resources of £33.251m as a result of the forecast outturn.

## **5. Conclusion**

This position clearly indicates that the reserve position for Lancashire County Council is forecast to reduce significantly and as Section 151 Officer I will advise on the appropriate statutory levels required by 31<sup>st</sup> March 2018.

## Annex A – Strategic Investment Reserve

Reserve name	Opening Balance as at 1 April 2015	YTD actuals 2015/16	Remaining commitments in 2015-16	2016-17 Commitments	2017-18 Commitments	Balance as at 31 March 2018
	£m	£m	£m	£m	£m	£m
Promoting Sustainable Employment for Young People	-9.038		0.350	4.519	4.169	0.000
Young Person's Travel	-1.716		0.600	0.600		-0.516
Economic Development - GAMMA	-0.213		0.213			0.000
Economic Enterprise Zone Strategic Development	-0.500		0.500			0.000
Economic Development - Exertis	-0.500		0.500			0.000
Economic Development - Boost Continuation	-1.929		1.929			0.000
Armed Forces Apprentice Costs	-2.645		1.322	0.823		-0.500
Early Action /Early Response	-1.300		0.650	0.650		0.000
Sustainable Employment in Adults	-3.300		3.300			0.000
Training for Social Workers – dementia care	-0.250		0.250			0.000
<b>Sub total</b>	<b>-21.391</b>	<b>0.000</b>	<b>9.614</b>	<b>6.592</b>	<b>4.169</b>	<b>-1.016</b>

  

Potential commitments to Strategic Investment Reserve	Opening Balance as at 1 April 2015	YTD actuals 2015/16	Remaining commitments in 2015-16	2016-17 Commitments	2017-18 Commitments	Total commitments as at 31 March 2018
	£m	£m	£m	£m	£m	£m
Capital - to provide funding for the Highways and Transplant Masterplans			4.044			4.044
Green Energy Fund				5.000		5.000
Core Systems Transformation				8.647		8.647
Street Lighting Capital Program 3 year contribution			1.500	1.750	1.750	5.000
Transfer from Risk Management Reserve						-22.691
<b>Total potential commitments on Strategic Reserve</b>	<b>0.000</b>	<b>0.000</b>	<b>5.544</b>	<b>15.397</b>	<b>1.750</b>	<b>0.000</b>
<b>Closing balance on Strategic Reserve</b>						<b>-1.016</b>

## Annex B – Downsizing and Risk Management Reserve

Reserve name	Opening Balance as at 1 April 2015	YTD actuals 2015/16	Remaining commitments in 2015-16	2016-17 Commitments	2017-18 Commitments	Total commitments as at 31 March 2018	Balance as at 31 March 2018
	£m	£m	£m	£m	£m	£m	£m
<b><u>Downsizing Reserve</u></b>							
Cost of carry from Phase 1			5.000			5.000	
Redundancy provision			11.102	41.711	13.904	66.717	
Transitional costs associated with Transformation Programme				2.843		2.843	
Review for Adult Social Care				10.000		10.000	
<b>Transfer from Risk Management Reserve</b>						-3.954	
<b>Total on Downsizing Reserve</b>	<b>-80.606</b>	<b>0.000</b>	<b>16.102</b>	<b>54.554</b>	<b>13.904</b>	<b>80.606</b>	<b>0.000</b>
<b><u>Risk Management Reserve</u></b>							
Occupational Health				0.084		0.084	
Adults LD Remodelling Reserve			0.603	0.761		1.364	
Council Tax Collection Fund surplus in 2014-15			-5.400			-5.400	
Returned New Homes Bonus			-0.564			-0.564	
Business Rates Collection Fund Surplus 2014-15			-0.426			-0.426	
Revenue Corporate Strategic budget			5.464			5.464	
Adult Social Care Budget Consultation				13.819		13.819	
Provision to mitigate against risk - Property rationalisation				1.108		1.108	
Provision to mitigate against risk DoLS- Deprivation of Liberty Safeguards				2.900		2.900	
Insurance Provision				1.000		1.000	
Capital - to provide funding for the shortfall of capital receipts			5.000			5.000	
Council Welfare Provision and the Care and Urgent Needs				3.000		3.000	
Fund 3 years R&M Capital Assets			1.083	1.083	1.084	3.250	
The risk of flooding due to lack of gully emptying				0.300		0.300	
School Crossing Patrols				1.500		1.500	
Waste PFI Grant			5.990			5.990	
Integration of Health and Care services				0.750		0.750	
Social Work Dedicated Review Team			0.153	2.500		2.653	
Integrated Wellbeing Adult Social Care				0.400		0.400	
Liquid Logic - Children's Services			0.400			0.400	
Liquid Logic - Adult Social Care			0.250			0.250	
Liquid Logic - for capital expenditure			0.300			0.300	
Corporate - Additional ICT Costs			6.000			6.000	
CLEO			1.600			1.600	
Delivery of Preston, South Ribble & Lancashire City Deal			7.000			7.000	
<b>Transfer to Strategic Investment Reserve</b>						22.691	
<b>Transfer to Downsizing Reserve</b>						3.954	
<b>Total on Risk Management Reserve</b>	<b>-82.020</b>	<b>0.000</b>	<b>27.453</b>	<b>29.205</b>	<b>1.084</b>	<b>84.387</b>	<b>2.367</b>



## Annex C – Service Reserves

Reserve Name	Opening Balance as at 1 April 2015	YTD actuals 2015/16	Remaining commitments in 2015-16	2016-17 Commitments	2017-18 Commitments	Balance at 31 March 2018
	£m	£m	£m	£m	£m	£m
<b>Reserves held to pay for expenditure commitments</b>						
Election Reserve	-0.851		-0.400			-1.251
Funding of Capital Projects	-12.503	0.083	11.809	0.611		0.000
<b>Reserves held to meet service priorities</b>						
YOT - General Youth Offending	-0.867		0.154			-0.713
Former CYP DFM General	-3.698		-0.034	0.040		-3.692
Former CYP Directorate Grant Funded	-5.327	5.327	-3.697			-3.697
Contingency For Children's Social Care	-0.014			0.014		0.000
Crime & Disorder	-1.636		0.700	0.936		0.000
Schools – Fulwood High School Private	-1.084		0.030	0.040	0.050	-0.964
Finance Initiative Earmarked Reserve Schools – Private Finance Initiative - Building Schools for the Future Wave 1	-5.750		-0.870	-0.740	-0.640	-8.000
Exhibitions Reserve	-0.052					-0.052
Museum Acquisition Fund	-0.072					-0.072
Archives Development Fund	-0.003					-0.003
Queen Street Steam Engine Repair Fund.	-0.236					-0.236
Lancaster City General Acquisitions Fund	-0.011					-0.011
Lancaster Adult Learning HQ General	-0.365	-0.505		0.870		0.000
Arts Development Fund	-0.024					-0.024
Adults - Early Intervention	-4.757			4.757		0.000
Former Adults Grant Funded	-2.837	-0.108		1.807		-1.138
Adult Social Care - Transit	-1.365			1.365		0.000
Health Services	-7.924	0.072		7.852		0.000
Better Care Fund Reserve	-4.368					-4.368
Extra Care Fund Reserve	-3.000					-3.000
Contributions from Development	0.000	-0.044				-0.044
Lancashire Road Safety Partnership	-0.767		0.617	0.150		0.000
Roundabout Sponsorship Income	-0.231		0.231			0.000
Improved Outcomes Partnership	-0.137		0.020	0.117		0.000
UK & Ireland Civinet Network	-0.055		0.024	0.031		0.000
Waste PFI Compensation Payments Reserve	-0.387		0.021			-0.366
Equipment Renewal Reserve	-0.801	0.077	0.393	0.090		-0.241
Joint Service Needs Assessment Reserve	-0.104		0.104			0.000
Multi Agency Data Exchange Reserve	-0.045		0.045			0.000
Parking Reserve Fund Reserves	-0.690		0.201	0.489		0.000
Building Design & Consultancy Reserve	-0.097		0.045			-0.052
NoW Card Renewal	-0.380		-0.020	0.400	-0.080	-0.080
Energy Surveys	-0.109		0.097	0.012		0.000
Priorities Contingencies Reserve	-0.235	0.235				0.000
Waste Plant Rectification	-20.000		6.394			-13.606
Former Finance & Information DFM General	-0.335	0.060		0.275		0.000
Former OCE General Reserve	-0.727	0.727				0.000
Former OCE DFM General	-0.378			0.378		0.000
Economic Development Reserve	-0.493			0.493		0.000
Lancashire Enterprise Partnership (LEP) Reserve	-1.179			1.179		0.000
City Deal	-6.951			6.951		0.000
Development Services Reserve	-2.964	0.225		2.514		-0.225
Growth Deal	0.000	-39.350	39.350			0.000
Champions Funds	-0.004			0.004		0.000
Vehicle Excess Reserve - LCC	-0.259			0.259		0.000
Buildings Repair & Renewals Reserve	-1.103		1.103			0.000
Former Corporate DFM Schemes	-0.315			0.315		0.000
Local Member & Gateway Grant	-0.059			0.059		0.000
Public Health Grant Reserve	-6.215	0.050	2.165			-4.000
School Catering Repair And Maintenance	-1.878	-0.005				-1.883
Civic Catering Repair And Maintenance	-0.039					-0.039
<b>Balance on Service Reserves</b>	<b>-103.681</b>	<b>-33.156</b>	<b>58.482</b>	<b>31.268</b>	<b>-0.670</b>	<b>-47.757</b>